

LHON Financial Policies and Procedures

Establishing clear financial policies and procedures is an important component of good corporate governance, as well as in ensuring strong and sustainable organizational planning and operations. They are intended to support both annual stewardship processes and day-to-day activities.

The following list of financial policies and procedures is a draft for consideration of the Board and corporate officers.

1) Establish and Maintain an Annual Budget

The organization has a comprehensive annual budget, with all sources and uses of funds for all aspects of operations. The annual budget cycle is in line with the fiscal year, January 1 to December 31.

Procedures:

- The full board authorizes the annual budget and revisions to the budget.
- The board (or a board committee) has a detailed understanding of the annual budget and plays a significant role in directing the use of funds.
- The organization has integrated meaningful consideration of financial issues into any strategic planning processes it undertakes.
- The Budget includes grant or contract agreements with funders, as are estimates of expenditures across program areas.
- The fiscal planning process includes the assessment of risks, and the securing of insurance coverage as needed as part of risk management procedures (e.g. for general corporate liability, board and officer liability, fraud and dishonest acts, and other operational risks that might emerge such fire, casualty, workers compensation).

2) Banking Arrangements

The banking business of the Corporation will be transacted through TD Bank, under the terms of the Master Agreement.

Procedures:

- Bank payment policies are outlined below.
- Review and reconciliation of the bank statement to the record of cash receipts (revenues) and disbursements (expenses) are performed regularly by the authorized account holders (Chair and President).

3) Payment Policies

Authorization for approving and making payments are as follows:

- All planned expenses or financial liabilities to be incurred over a \$100 threshold are approved by the Chair or President (e.g. purchases, financial commitments, securing credit).
- All payments are made by cheque or electronic money transfer (EMT) from LHON accounts, except for small purchases where directors, officers or staff may be reimbursed.
- Dual-signing authority for issuing cheques and executing EMT payments rests with Chair and President (per the Master Agreement with TD Bank).
- Procedures for payment review and approval are as follows:
 - Approval to incur an expense over \$100 is secured through the Chair or President
 - To make a payment by cheque or EMT, the vendor invoice is shared with the Chair or President to execute payment. If a payment is not made by cheque or EMT, receipts are submitted to the Chair or President for reimbursement.
 - The invoice is tracked and the expense is later reconciled against the budget and bank statements.
- Written policies and procedures are reviewed and revised regularly.

3) Fundraising Activities¹

All fundraising and revenue generating activities should be understood and approved by the board, with planned and received revenues reconciled as part of financial management and budgeting processes.

Procedures:

- Organizational fundraising requirements or targets are established by the board based on planned operational costs and program / giving goals.
- Fundraising activities are approved and monitored by the board (e.g. small donor campaigns, large donor grants, crowdfunding, event sponsorship, in-kind contributions).
- Detailed records of donor/client contributions, grants and contracts receivable are maintained and reconciled to the budget and financial accounts.

¹ In the event that charitable status is secured, policies and procedures for charitable receipting for donors, tax implications, etc would be established.

4) Financial Oversight and Accounting²

The board is responsible for ongoing financial oversight, as well as for ensuring year-end accounting, reporting and corporate tax filing are undertaken.

Procedures:

- Financial updates are presented to the Board on a quarterly cycle (i.e. unaudited statements, updating on key financial indicators such as year-to-date spending, cash flow, accounts receivable and payable).
- At year-end (after December 31st), a bookkeeper or accountant prepares year-end financial statements for presentation to the Board, and supports corporate tax filings that must be prepared for CRA by June 30th (6 months after corporate year-end).
- The Board and President are aware of the CRA requirements, and continually evaluate the organization's activities, use of funds, record keeping, and CRA reporting to ensure compliance with all requirements.

² In the event that charitable status is secured, the board would be required to select an independent CPA to conduct an annual year-end audit.